

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CHARLEVOIX TOWNSHIP	County CHARLEVOIX
Fiscal Year End 6/30/06	Opinion Date 11/29/06	Date Audit Report Submitted to State 1/29/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

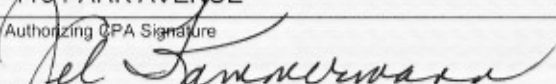
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) MASON & KAMMERMAN, P.C.		Telephone Number (231) 547-4911	
Street Address 110 PARK AVENUE		City CHARLEVOIX	State MI
		Zip 49720	
Authorizing CPA Signature 		Printed Name VEL KAMMERMAN	License Number 1101012482

CHARLEVOIX TOWNSHIP

CHARLEVOIX, MICHIGAN

FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

for the year ended June 30, 2006

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

Charlevoix Township

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Charlevoix Township

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MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

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Telephone (231) 547-4911
Facsimile (231) 547-5911

INDEPENDENT AUDITOR'S REPORT

November 29, 2006

Members of the Township Board
Charlevoix Township
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Charlevoix Township of Charlevoix, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Charlevoix Township as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mason & Kammermann, P.C.
Mason & Kammermann, P.C.
Certified Public Accountants

Charlevoix Township

Management Discussion & Analysis

This section of Charlevoix Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended June 30, 2006.

Overview of the Financial Statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are presented in a format to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Charlevoix Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Charlevoix Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Charlevoix Township is improving or deteriorating.

The Statement of Activities presents changes in the government's net assets during the most recent fiscal year, on the accrual basis of accounting.

Fund Financial Statements

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Charlevoix Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Charlevoix Township uses three categories of funds, which are governmental, proprietary and fiduciary funds.

Charlevoix Township

Management Discussion & Analysis

Governmental Funds

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds

Proprietary funds are used to account for the services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting. The Township maintains one enterprise fund that is used to report the water operations and maintenance. It is reported as a business-type activity in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Charlevoix Township

Management Discussion & Analysis

Financial Analysis of the Township as a Whole

The table below shows, in a condensed format, the Township's net assets as of June 30, 2006:

Net Assets June 30, 2006			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current Assets	\$ 1,553,298	\$ 306,344	\$ 1,859,642
Noncurrent Assets			
Capital Assets, net	<u>779,845</u>	<u>1,498,250</u>	<u>2,278,095</u>
Total Assets	2,333,143	1,804,594	4,137,737
<u>Liabilities and Net Assets</u>			
Current Liabilities	<u>-</u>	<u>16,028</u>	<u>16,028</u>
Net Assets			
Contributed Capital	-	600,313	600,313
Invested in Capital Assets, net	779,845	-	779,845
Unrestricted	<u>1,553,298</u>	<u>1,188,253</u>	<u>2,741,551</u>
Total Net Assets	<u>\$ 2,333,143</u>	<u>\$ 1,788,566</u>	<u>\$ 4,121,709</u>

The Township's total net assets from governmental activities are \$2,333,143. The proprietary fund has net assets totaling \$1,788,566. The township has \$1,553,298 of unrestricted governmental net assets, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Charlevoix Township

Management Discussion & Analysis

The following table shows how activities affected changes in net assets during the fiscal year.

Changes in Net Assets For The Year Ended June 30, 2006

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues,			
Charges for Services	\$ 44,641	\$ 172,611	\$ 217,252
General Revenues:			
Property Taxes	480,482	-	480,482
State Shared Revenues	115,990	-	115,990
Interest	30,741	1,679	32,420
Other	21,494	19,717	41,211
Transfers – Internal Activity	20,200	(20,200)	-
Total Revenues	713,548	173,807	887,355
Expenses:			
Legislative	210,290	-	210,290
General Government	148,533	-	148,533
Public Safety	58,389	-	58,389
Public Works	21,550	127,881	149,431
Health & Welfare	16,027	-	16,027
Community & Economic Development	23,175	-	23,175
Recreation and Cultural	30,531	-	30,531
Total Expenses	508,495	127,881	636,376
Change in net assets	\$ 205,053	\$ 45,926	\$ 250,979

Revenue sources and changes

Total revenue from all sources totaled \$887,355, of which \$713,548 was from governmental activities and \$173,807 was from business-type activities. Revenue from governmental activities consists primarily of, 67.34% from property taxes, 16.26% from state shared revenue, 6.26% from charges for services, and 4.31% from interest. Property taxes were the largest source of revenue for which they levied 3 mills for general operations.

Charlevoix Township

Management Discussion & Analysis

Expenses

Using a full accrual basis of accounting, the Township spent \$508,495 on governmental activities. This equates to 41.36% on legislative activities, 29.21% on general government, 11.48% on public safety, 6.00% on culture and recreation, 4.56% on community and economic development, 4.24% on public works and 3.15% on health and welfare.

Business-type Activity Highlights

Business-type activities show an increase in net assets of \$45,926 on revenues of \$173,807. The largest source of revenue was from charges for services, which represents about 99.31% of revenues for business-type activities.

Financial Analysis of the Township's Funds

At June 30, 2006, the Township's governmental funds reported cash and investments of \$1,514,910, which is approximately \$7,541 more than last year.

Revenues in the General Fund exceeded expenditures by \$57,578, which increased the fund balance to \$1,553,298.

Capital Assets

At fiscal year ended June 30, 2006, the Township has \$2,278,095 in capital assets, net of accumulated depreciation. During the year, the Township invested \$167,449 in recreational improvements, \$53,091 in equipment and \$773 in fire equipment.

Generally, capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land, recreational land improvements, buildings, equipment, furniture and fixtures, and fire equipment. The Township uses straight-line depreciation for all depreciable assets.

Long-Term Debt

The Township had no outstanding long-term debt for governmental activities as of June 30, 2006.

Requests for Information

This financial report is designed to provide a general overview of Charlevoix Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Charlevoix Township, 12491 Waller Rd., Charlevoix, MI 49720.

Charlevoix Township

Statement of Net Assets June 30, 2006

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current Assets			
Cash and Cash Equivalents	\$ 1,514,910	\$ 286,914	\$ 1,801,824
Accounts Receivable	20,505	16,436	36,941
Inventory	-	2,994	2,994
Due from Other Funds	17,883	-	17,883
Total Current Assets	1,553,298	306,344	1,859,642
Noncurrent Assets			
Capital Assets	1,918,862	2,639,110	4,557,972
Less: Accumulated Depreciation	(1,139,017)	(1,140,860)	(2,279,877)
Total Noncurrent Assets	779,845	1,498,250	2,278,095
Total Assets	2,333,143	1,804,594	4,137,737
<u>Liabilities and Net Assets</u>			
Current Liabilities			
Accounts Payable	-	1,523	1,523
Due to Other Funds	-	14,505	14,505
Total Liabilities	-	16,028	16,028
Net Assets			
Contributed Capital	-	600,313	600,313
Invested in Capital Assets	779,845	-	779,845
Fund Balance - Undesignated	1,553,298	1,188,253	2,741,551
Total Net Assets	\$ 2,333,143	\$ 1,788,566	\$ 4,121,709

The accompanying notes are a part of the financial statements.

Charlevoix Township

Statement of Activities For The Year Ended June 30, 2006

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Legislative	\$ 210,290	\$ -	\$ -	\$ -	\$ (210,290)	\$ -	\$ (210,290)
General Government	148,533	-	-	-	(148,533)	-	(148,533)
Public Safety	58,389	35,342	-	-	(23,047)	-	(23,047)
Public Works	21,550	8,505	-	-	(13,045)	-	(13,045)
Health & Welfare	16,027	-	-	-	(16,027)	-	(16,027)
Community & Economic Development	23,175	794	-	-	(22,381)	-	(22,381)
Recreation and Cultural	30,531	-	-	-	(30,531)	-	(30,531)
Total Government Activities	508,495	44,641	-	-	(463,854)	-	(463,854)
Business-Type Activities							
Water	127,881	172,611	-	-	-	44,730	44,730
Total Primary Government	\$ 636,376	\$ 217,252	\$ -	\$ -	(463,854)	44,730	(419,124)
General Revenues:							
Taxes:							
Property Taxes					480,482	-	480,482
State Shared Revenues					115,990	-	115,990
Interest					30,741	1,679	32,420
Other					21,494	19,717	41,211
Transfers - Internal Activity					20,200	(20,200)	-
Total General Revenues and Transfers					668,907	1,196	670,103
Change in Net Assets					205,053	45,926	250,979
Net Assets - July 1, 2005					2,128,090	1,742,640	3,870,730
Net Assets - June 30, 2006					\$ 2,333,143	\$ 1,788,566	\$ 4,121,709

The accompanying notes are a part of the financial statements.

Charlevoix Township

Governmental Funds Balance Sheet June 30, 2006

<u>Assets</u>	<u>General</u>
Cash and Cash Equivalents	\$ 1,514,910
Accounts Receivable	20,505
Due From Other Funds	<u>17,883</u>
Total Assets	<u><u>\$ 1,553,298</u></u>
 <u>Fund Equity</u>	
Fund Equity:	
Fund Balance - Undesignated	<u><u>\$ 1,553,298</u></u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Governmental Funds Reconciliation of the Governmental Fund Balances of Governmental Activities to the Statement of Net Assets of Governmental Activities June 30, 2006

Total Fund Balances - Governmental Funds	\$ 1,553,298
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Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds
balance sheet.

Cost of capital assets	1,918,862
Accumulated depreciation	<u>(1,139,017)</u>

Total Net Assets - Governmental Activities	<u><u>\$ 2,333,143</u></u>
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The accompanying notes are a part of the financial statements.

Charlevoix Township

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances For The Year Ended June 30, 2006

	<u>General</u>
Revenues:	
Taxes	\$ 480,482
State Shared Revenue	115,990
Licenses & Permits	794
Charges for Service	43,847
Interest	30,741
Other	<u>21,494</u>
Total Revenues	<u>693,348</u>
Expenditures:	
Current:	
Legislative	210,290
General Government	120,857
Public Safety	36,569
Public Works	21,550
Health & Welfare	16,027
Community & Economic Development	23,175
Recreation and Cultural	6,189
Capital Outlay	<u>221,313</u>
Total Expenditures	<u>655,970</u>
Excess of Revenues Over (Under) Expenditures	37,378
Other Financing Sources:	
Transfers In	<u>20,200</u>
Net Change in Fund Balance	57,578
Fund Balances - July 1, 2005	<u>1,495,720</u>
Fund Balances - June 30, 2006	<u><u>\$ 1,553,298</u></u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities of Governmental Funds For The Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 57,578
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives	221,313
Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements	<u>(73,838)</u>
Changes in Net Assets - Governmental Activities	<u>\$ 205,053</u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Proprietary Fund Statement of Net Assets June 30, 2006

<u>Assets</u>	<u>Water</u>
Current Assets	
Cash	\$ 286,914
Accounts Receivable	16,436
Inventory	2,994
	<hr/>
Total Current Assets	306,344
	<hr/>
Noncurrent Assets	
Capital Assets	2,639,110
Accumulated Depreciation	(1,140,860)
	<hr/>
Total Noncurrent Assets	1,498,250
	<hr/>
Total Assets	1,804,594
	<hr/>
 <u>Liabilities and Net Assets</u>	
Liabilities:	
Accounts Payable	1,523
Due to Other Funds	14,505
	<hr/>
Total Liabilities	16,028
	<hr/>
Fund Equity:	
Contributed Capital	600,313
Fund Balance - Undesignated	1,188,253
	<hr/>
Total Net Assets	\$ 1,788,566
	<hr/>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Proprietary Fund Statement of Revenues, Expenditures and Changes in Fund Balances For The Year Ended June 30, 2006

	<u>Water</u>
Operating Revenues:	
Water Sales	\$ 131,261
Connection Fees	41,350
Miscellaneous	<u>19,717</u>
Total Revenues	<u>192,328</u>
Cost of Goods Sold	
Connection Expenses	<u>4,876</u>
Gross Profit	<u>187,452</u>
Operating Expenses	
Professional Services	5,018
Depreciation	62,648
Utilities	34,926
Repair and Maintenance	15,582
Other	<u>4,831</u>
Total Expenditures	<u>123,005</u>
Operating Income	64,447
Nonoperating Revenue	
Interest Income	<u>1,679</u>
Excess of Revenues Over Expenditures	66,126
Other Financing Uses:	
Transfers Out	<u>(20,200)</u>
Net Change in Fund Balance	45,926
Fund Balances - July 1, 2005	<u>1,142,327</u>
Fund Balances - June 30, 2006	<u><u>\$ 1,188,253</u></u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Proprietary Fund Statement of Cash Flows For The Year Ended June 30, 2006

	Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES:	
Fees and services	\$ 186,938
Payments for goods and services	<u>68,029</u>
Net cash provided by operating activities	118,909
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	1,679
CASH FLOWS FROM NONOPERATING FINANCING ACTIVITIES	
Transfers to other funds	<u>(20,200)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	100,388
CASH AND CASH EQUIVALENTS, July 1, 2005	<u>186,526</u>
CASH AND CASH EQUIVALENTS, June 30, 2006	<u><u>286,914</u></u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:	
Unrestricted	<u><u>\$ 286,914</u></u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 64,447
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	62,648
Increase in accounts receivable	(5,390)
Decrease in accounts payable	<u>(2,796)</u>
Net cash provided by operating activities	<u><u>\$ 118,909</u></u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Fiduciary Fund Statement of Net Assets June 30, 2006

Assets

Cash	\$ 13,467
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Liabilities

Due to Other Funds	\$ 3,378
Due to Other Governmental Units	10,089

Total Liabilities	\$ 13,467
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The accompanying notes are a part of the financial statements

Charlevoix Township

Fiduciary Fund Statement of Changes in Fiduciary Net Assets For The Year Ended March 31, 2006

Additions:

Property Tax Collections for:

Primary Government

\$ 483,354

Other Governments

5,044,706

Interest Income

9,779

Total Additions

5,537,839**Deductions:**

Property Tax Distributions to:

Primary Government

493,133

Other Governments

5,044,706

Total Deductions

5,537,839**Change in Net Assets**

-

Fiduciary Net Assets - July 1, 2005-**Fiduciary Net Assets - June 30, 2006**\$ -

The accompanying notes are a part of the financial statements.

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charlevoix Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charlevoix Township.

A. Reporting Entity

The Township operates under a Board-Supervisor form of government and provides the following services:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2006

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Proprietary Funds – Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for the capital maintenance public policy, management control, accountability, or other purposes.

Fiduciary Fund – The Fiduciary Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2006

organizations, other governments and/or other funds. Fiduciary Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Assets, Liabilities, and Net Assets or Equity

Cash and cash equivalents

Cash is comprised of the amount of funds in bank accounts. Cash equivalents contain investments in money markets and U.S. Government obligations.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Inventory

Inventory included in the Proprietary Fund Type is valued at the lower of cost (first-in, first-out) or market.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives.

Buildings	40 years
Furniture & Fixtures	10 years
Equipment	5 years
Recreational Land Improvements	30 years
Safety Equipment	20 years

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2006

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included in their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operation. Accumulated depreciation totals \$1,140,860 in proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Plant and Equipment	15-60 years

Long-term Obligations

As of June 30, 2006, the Township has no outstanding long-term debt.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2006

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 15, the Township Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted.
4. The Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles.
7. Appropriations expire at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by the Township Board. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Charlevoix Township's budgeted and actual expenditures for the funds budgeted have been shown on a function basis.

During the year, the Township did not incur expenditures in the General Fund in excess of the amounts appropriated.

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2006

Accumulated Fund Deficits

The Charlevoix Township had no funds with an accumulated fund balance/retained earnings deficit at June 30, 2006.

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits – At June 30, 2006 the carrying amount of the Township's deposits were \$521,093 for governmental activities and \$286,914 for business-type activities.

Cash Equivalents – As June 30, 2006, the Township's cash equivalents consisted of money markets and U.S. Government obligations totaling \$993,817.

The nature of the investment funds does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

Federal Depository Insurance – Of the above balances, \$815,128 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$986,696 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The township may experience significant fluctuations in deposit balances during the year.

NOTE 4 – PROPERTY TAXES

Property taxes are levied on July first and December first and are payable on September fourteenth and February fourteenth, respectively. Property tax revenues are recognized when levied.

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2006

The Township levied 3 mills for general operations on state taxable valuation of \$160,272,139 on the 2005 tax roll.

The Township also bills and collects taxes for other governmental units, which are accounted for in an Agency Fund.

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Balance of July 1, 2005	Additions	Dispositions	Balance of June 30, 2006
Capital assets not being depreciated				
Land	\$ 6,134	\$ -	\$ -	6,134
Capital assets being depreciated				
Buildings	157,345	-	-	157,345
Equipment & Furniture	60,954	-	-	60,954
Equipment	174,785	53,091	-	227,876
Recreation	705,142	167,449	-	872,591
Safety Equipment	593,189	773	-	593,962
Total Capital Assets, being depreciated	1,691,415	221,313	-	1,912,728
Less: Accumulated Depreciation	(1,065,179)	(73,838)	-	(1,139,017)
Total Net Capital Assets	<u>\$ 632,370</u>	<u>147,475</u>	<u>-</u>	<u>779,845</u>

Depreciation expense was charged to the Township's functions as follows:

General Government	\$ 27,676
Public Safety	21,820
Recreation	<u>24,342</u>
	<u>\$ 73,838</u>

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2006

Following is a summary of Water Fund assets:

Land	\$ 15,690
Building	54,224
Wells and wellhouses	404,860
Equipment	229,804
Water lines	985,926
Storage tanks	<u>948,606</u>
Total assets	2,639,110
Less: accumulated depreciation	<u>(1,140,860)</u>
Total	<u>\$ 1,498,250</u>

NOTE 6 – RECEIVABLES & PAYABLES

Interfund receivables and payables of the individual funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 17,883	\$ -
Tax Fund	-	3,378
Water Fund	<u>-</u>	<u>14,505</u>
Total	<u>\$ 17,883</u>	<u>\$ 17,883</u>

NOTE 7 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workman's compensation coverage. The Plan is self-sustaining through member premiums and 100% reinsures through commercial companies.

NOTE 8 – PENSION PLAN

The Township approved a defined contribution plan covering its full time employees. The Board approved a 6 percent contribution resulting in a pension expense of \$6,195 for the year.

Charlevoix Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For The Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Taxes:				
Property Tax	\$ 485,816	\$ 489,228	\$ 480,482	\$ (8,746)
State Revenues:				
State Shared Revenues	75,000	115,990	115,990	-
Charges for Services	43,850	43,847	43,847	-
Licenses and Permits	200	794	794	-
Interest	5,000	20,107	30,741	10,634
Other	-	19,854	21,494	1,640
Total Revenues	609,866	689,820	693,348	3,528
Expenditures:				
Legislative				
Township Board				
Salaries	150,000	127,509	127,509	-
Payroll Taxes	12,000	10,418	9,380	(1,038)
Health Insurance	30,000	14,978	14,978	-
Pension	12,000	6,195	6,195	-
Insurance	36,000	34,589	34,589	-
Office Supplies	10,000	4,612	4,612	-
Printing & Publishing	3,000	1,869	1,869	-
Professional Services	10,000	6,155	6,155	-
Other Expenses	15,500	5,044	5,003	(41)
Total Legislative	278,500	211,369	210,290	(1,079)
General Government				
Township Supervisor				
Salary	23,170	23,170	23,170	-
Travel	500	459	500	41
Total Township Supervisor	23,670	23,629	23,670	41
Elections				
Salary	1,500	1,035	1,035	-
Supplies	500	234	234	-
Printing and Publishing	500	310	310	-
Other Expenses	500	1,885	1,885	-
Total Elections	3,000	3,464	3,464	-
Township Assessor				
Contracted Services	16,000	15,627	15,627	-
Supplies	5,000	1,373	1,373	-
Total Township Assessor	21,000	17,000	17,000	-

Charlevoix Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For The Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Township Clerk				
Salary, Clerk	17,260	21,460	21,460	-
Salary, Deputy Clerk	930	930	930	-
Supplies	700	500	500	-
Total Township Clerk	18,890	22,890	22,890	-
Township Board of Review				
Salaries	2,200	1,625	1,625	-
Township Treasurer				
Salary, Treasurer	17,680	18,680	18,680	-
Travel	700	458	458	-
Total Township Treasurer	18,380	19,138	19,138	-
Summer Tax Collection				
Travel	340	340	340	-
Manatron	1,800	464	464	-
Total Summer Tax Collection	2,140	804	804	-
Township Hall				
Telephone	5,000	3,907	3,907	-
Utilities	4,000	2,918	2,918	-
Other Expenses	16,000	4,699	3,844	(855)
Total Township Hall	25,000	11,524	10,669	(855)
Grounds & Equipment				
Operating Supplies	6,000	6,423	6,423	-
Repair & Maintenance	30,000	33,414	15,174	(18,240)
Total Grounds & Equipment	36,000	39,837	21,597	(18,240)
Total General Government	150,280	139,911	120,857	(19,054)
Public Safety				
Fire Department				
Operating Supplies	1,500	1,312	1,312	-
Telephone	1,500	842	842	-
Repairs & Maintenance	10,000	6,242	6,242	-
Utilities	3,000	3,000	3,000	-
Other	30,000	25,173	25,173	-
Total Public Safety	46,000	36,569	36,569	-

Charlevoix Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For The Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Public Works				
Road Improvements	300,000	20,000	20,000	-
Sewer Extension	500,000	37,601	1,550	(36,051)
Total Public Works	800,000	57,601	21,550	(36,051)
Health & Welfare				
Ambulance	17,000	16,027	16,027	-
Community & Economic Development				
Zoning Board				
Salary	13,210	8,980	8,980	-
Supplies	6,000	278	278	-
Travel	1,500	195	420	225
Professional Services	40,000	12,179	12,179	-
Printing & Publishing	4,000	583	583	-
Miscellaneous	2,000	735	735	-
Total Community & Economic Development	66,710	22,950	23,175	225
Recreation and Culture				
Utilities	3,000	2,599	2,599	-
Repairs & Maintenance	25,000	3,590	3,590	-
Total Recreation & Culture	28,000	6,189	6,189	-
Capital Outlay	724,303	212,718	221,313	8,595
Total Expenditures	2,110,793	703,334	655,970	(47,364)
Excess of Revenues Over (Under) Expenditures	(1,500,927)	(13,514)	37,378	50,892
Other Financing Sources:				
Transfers In	-	20,200	20,200	-
Net Change in Fund Balance	(1,500,927)	6,686	57,578	50,892
Fund Balance - July 1, 2005	1,495,720	1,495,720	1,495,720	-
Fund Balance - June 30, 2006	\$ (5,207)	\$ 1,502,406	\$1,553,298	\$ 50,892

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

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Telephone (231) 547-4911
Facsimile (231) 547-5911

November 29, 2006

To the Board of Trustees
Charlevoix Township

We have audited the financial statements of Charlevoix Township for the year ended June 30, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated, October 5, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Charlevoix Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charlevoix Township are described in Note 1 to the financial statements. The Governmental Accounting Standards Board issued a new reporting model for governmental units, which was implemented for the fiscal year ended June 30, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year-end adjustments to the final presentation format. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Charlevoix Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mason & Kammermann, P.C.

Mason & Kammermann, P.C.
Certified Public Accountants